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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35629

**EASTERN MAINE RAILWAY COMPANY
- TRACKAGE RIGHTS EXEMPTION -
WOODLAND RAIL, LLC**

VERIFIED NOTICE OF EXEMPTION

**ENTERED
Office of Proceedings
MAY 22 2012
Part of
Public Record**

**FILED
MAY 22 2012
SURFACE
TRANSPORTATION BOARD**

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Attorneys for Eastern Maine Railway Company

May 22, 2012

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STB FINANCE DOCKET NO. 35629

**EASTERN MAINE RAILWAY COMPANY
– TRackage RIGHTS EXEMPTION –
WOODLAND RAIL, LLC**

VERIFIED NOTICE OF EXEMPTION

The Eastern Maine Railway Company (“EMR”) hereby submits this Verified Notice of Exemption pursuant to 49 CFR § 1180.2(d)(7) for the acquisition of limited trackage rights over a rail line (“Line”) between Baileyville, ME¹ and connection to the New Brunswick Southern Railway (“NBSR”) over the St. Croix River near Calais, ME and Milltown Junction, NB. The Line has a total of approximately 10.58 route miles between its endpoints in Baileyville, ME and Calais, ME, but the Line also includes several short spur tracks for a total distance of approximately 11.83 track miles.² The Line is occasionally known as the Calais Industrial Track.³ Woodland Rail LLC (“Woodland Rail”) is currently in the process of acquiring the Line from Maine Central Railroad Company (“Maine Central”). On May 21, 2012, Woodland Rail

¹ Baileyville, Maine is sometimes known as “Woodland, Maine”, but there is a second “Woodland” in Aroostook County, ME and, therefore, confusion can occur. EMR will use the name Baileyville.

² Exhibit 1 is a map of the Line, and it shows the Engineering Stations used for the end points and each of the spur tracks.

³ As described further in this Notice, the Line crosses into Canada and then back into the U.S. before terminating at the connection to NBSR. EMR recognizes that the trackage rights exemption in STB Docket No. 35629 is only subject to Board jurisdiction for those parts of the Line in the United States.

filed a Notice of Exemption to acquire the Line from Maine Central in STB Docket No. 35628. This acquisition of trackage rights qualifies for exemption from prior approval requirements of 49 USC §§ 11323-11325 under 49 USC § 10502 and 49 CFR § 1180.2(d)(7).

Information Required by 49 CFR § 1180.4(g)

49 CFR § 1180.6(a)(1)(i)

The proposed transaction involves acquisition of limited trackage rights by EMR over Woodland Rail between Baileyville, ME and connection to NBSR at the U.S.-Canada border between Calais, ME and Milltown Junction, NB. The trackage rights to be granted by Woodland Rail will give EMR the right to directly serve a pulp mill ("Mill") owned by Woodland Pulp, LLC in Baileyville, ME. EMR will be able to serve the Mill with both inbound and outbound traffic, and EMR will also have all rights needed to interchange or provide run-through service with NBSR. Other than the direct service to the Mill, EMR's rights on the Line will be overhead only, and EMR will be prohibited from serving any other locations or shippers on the Line.

These trackage rights are based on a written agreement, but are not filed or sought in a responsive application in a rail consolidation proceeding. Therefore, the proposed transaction qualifies for a Notice of Exemption under 49 CFR § 1180.2(d)(7).

The applicant is: Eastern Maine Railway Company
300 Union Street
12th floor
P.O. Box 5777
Saint John, New Brunswick
Canada E2I 4M3
506.632.7777 (phone)

Correspondence related to this proceeding should be addressed to:

Karyn A. Booth
David E. Benz
Thompson Hine LLP
Suite 700

1919 M St. NW
Washington, DC 20036
202.331.4108 (phone)
202.331.8330 (facsimile)

49 CFR § 1180.6(a)(1)(ii)

EMR proposes to consummate the proposed transaction on June 21, 2012, which is 30 days after the filing date hereof. In accordance with the Board's rules, this effective date is not less than 30 days from today's filing date. See 49 CFR § 1180.4(g)(1).

49 CFR § 1180.6(a)(1)(iii)

The purpose sought to be accomplished by the proposed transaction is to provide the Mill with EMR as an additional rail service option via the limited trackage rights.

49 CFR § 1180.6(a)(5)

EMR currently owns and operates a rail line between Brownville Junction, ME and the U.S.-Canada border at Vanceboro, ME. EMR also is in the process of acquiring a rail line between Madawaska, ME and St. Leonard, NB from the Montreal, Maine & Atlantic Railway, Ltd. in STB Docket No. 35588, Eastern Maine Railway Company – Acquisition and Operation Exemption – Montreal, Maine & Atlantic Railway, Ltd. EMR is a corporate affiliate of NBSR, but NBSR only owns and operates rail properties in Canada.

49 CFR § 1180.6(a)(6)

A map is attached at Exhibit 1. Furthermore, EMR has enclosed 20 additional unbound maps. The endpoints of the Line are at Engineering Station 64+17 in Baileyville, ME and Engineering Station 6978+84 in Calais, ME, but the Line also includes several short spurs as shown in the attached map. A more detailed description of the Line, including the international border crossings, is as follows:

Engineering Station 64+17 - end of Line at Woodland Pulp LLC's pulp mill in Baileyville, ME

Engineering Station 363+45 - Line crosses from the U.S. into Canada across the St. Croix River on the northern edge of Baileyville, ME

Engineering Station 94+90 - Line crosses from Canada into the U.S. across the St. Croix River between Upper Mills, NB and Baring, ME

Engineering Station 6945+83 - Line connects to NBSR at the international border over the St. Croix River between the southwest side of Calais, ME and Milltown Junction, NB (slightly southwest of St. Stephen, NB)

EMR recognizes that Board jurisdiction only covers EMR's trackage rights on those portions of the Line in the United States.

49 CFR § 1180.6(a)(7)(ii)

EMR and Woodland Rail have agreed upon the terms of a Trackage Rights Agreement ("Agreement") to cover the proposed transaction. A copy of the Agreement is attached at Exhibit 2.

49 CFR § 1180.4(g)(2)(i)

A caption summary of the proposed transaction suitable for publication in the Federal Register is attached as Exhibit 3.

Labor Protective Conditions

The applicable labor protection conditions are those set forth in Norfolk and Western Railway Company – Trackage Rights – Burlington Northern, 354 ICC 605 (1978), as modified in Mendocino Coast Railway, Inc. – Lease and Operate, 360 ICC 653 (1980).

Environmental and Historic Matters

In accordance with 49 CFR § 1105.6(c)(4), no environmental report is required. Similarly, under 49 CFR § 1105.8(b)(3), no historic report is required.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Benz", is written over a horizontal line.

Karyn A. Booth
David E. Benz
Thompson Hine LLP
1919 M Street, N.W., Suite 700
Washington, DC 20036
202.331.4108
202.331.8330 (fax)

Attorneys for Eastern Maine Railway Company

May 22, 2012

VERIFICATION

I, Wayne Power, verify under penalty of perjury that the foregoing Notice of Exemption for limited trackage rights in STB Docket No. 35629 is true and correct to the best of my knowledge. Further, I certify that I am qualified and authorized to file this statement.



Wayne Power
Vice President
Eastern Maine Railway Company

Executed on May 18, 2012



Exhibit 1

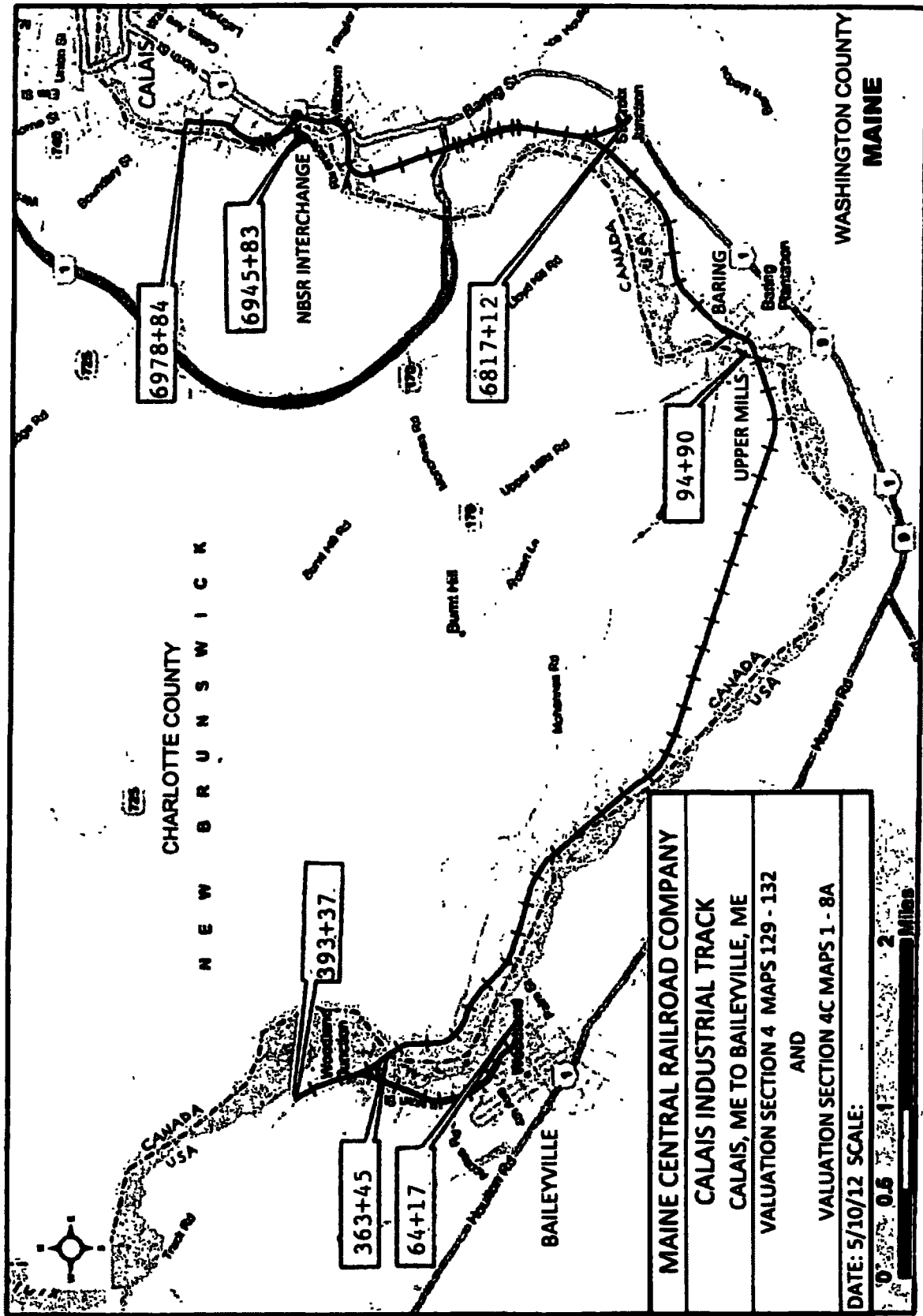


Exhibit 2

Trackage Rights Agreement

This Trackage Rights Agreement ("Agreement") is made and entered into as of this 30th day of April, 2012 by and between Woodland Rail, LLC ("Woodland"), a Delaware limited liability company with its place of business at 144 Main Street Baileyville, Maine, and Eastern Maine Railway Company ("EMR"), a Maine corporation with a place of business at 300 Union Street, Saint John, New Brunswick E2L4M3. Woodland and EMR shall each be called a "Party" and, together, the "Parties."

WITNESSETH:

WHEREAS, Woodland is the owner of a railroad line of approximately 11 miles between Baileyville, Maine and St. Stephen, New Brunswick, which crosses the international boundary between the United States and Canada at several locations, as more fully described below and in the map at Exhibit A attached hereto (the "Line"); and

WHEREAS, EMR is a common carrier by rail that is currently operating and providing rail freight transportation service at other locations in the United States; and

WHEREAS, EMR has requested certain limited trackage rights over the Line in order to enable rail service to a pulp mill ("Mill") owned and operated by Woodland Pulp, LLC in Baileyville, Maine;

WHEREAS, Woodland is agreeable to granting such limited rights to EMR under the following terms and conditions.

NOW, THEREFORE, the Parties hereto, intending to be legally bound, agree as follows:

1. **Grant of Rights.** Subject to the terms and conditions herein provided, Woodland hereby grants to EMR the limited, non-exclusive right to operate its trains, locomotives, cars, and equipment over the Line between the Mill and the connection to the rail line of the New Brunswick Southern Railway Company ("NBSR") at or near St. Stephen, NB. For the purposes of this Agreement, the term "Line" shall be defined to include all of Woodland's right-of-way, trackage, appurtenances, signals, switches, and other facilities acquired by Woodland from Maine Central Railroad Company.

2. **Use of the Line.**

(a) EMR may use the Line only for the purpose of providing rail service to and from the Mill. In providing rail service to the Mill, EMR shall have all rights which are ancillary to such purpose, including rights necessary for car delivery, car pick-up, switching, staging, and similar rights. Except for service to the Mill, EMR rights over the Line shall be overhead only. EMR shall have the right to use the Line in either direction.

(b) EMR's right to use the Line shall also include any rights owned or controlled by Woodland and reasonably necessary to enable interchange or run-through service with NBSR at or near St. Stephen, NB.

3. Restrictions on use.

(a) Except as provided in Section 2, EMR shall not have the right to handle any traffic originating or terminating at any point on the Line. Nothing in this Agreement shall be construed to give EMR local traffic rights on the Line except for service to and/or from the Mill.

(b) EMR shall not permit or admit any third party to the use of any or all of the Line, nor, under the guise of doing its own business, contract or make any agreement to handle as its own over the Line the trains, locomotives, or cars of any third party which in the normal course of business would not be considered as the trains, locomotives, or cars of EMR; provided, however, that the foregoing shall not prevent EMR, pursuant to a run-through agreement with any railroad, or a bona fide equipment lease, from using the locomotives, cars, and equipment of another railroad as its own under this Agreement.

(c) The rights granted under this Agreement are restricted to the movement and interchange of cars described above. EMR agrees not to seek access to industries from or over the Line, other than as permitted in this Agreement.

4. Maintenance.

(a) The construction, maintenance, repair, and renewal of the Line shall be under the exclusive direction and control of Woodland and/or its agents and contractors. Woodland may make any additions to the Line which Woodland deems necessary or desirable for the safe, efficient, and economical use of the Line by the Parties, and any such additions shall become part of the Line upon completion of construction. If and to the extent additional interchange tracks or facilities are required, in the sole discretion of Woodland, in the future, then Woodland shall, at its sole expense, construct or provide such additional tracks or facilities.

(b) Woodland and/or its agents and contractors shall employ all persons necessary to maintain, repair, and renew the Line. The Line shall be maintained to a standard not less than FRA Class 1.

(c) EMR acknowledges that it has inspected the Line and accepts the rights under this Agreement to use the Line in its "as is" condition. EMR acknowledges that it is not relying upon any statement made or other information presented by Woodland concerning the condition of the Line. Woodland makes no representations or warranties concerning the condition or quality of the Line or its fitness for any particular use.

(d) Woodland shall perform, at the sole expense of EMR and within a reasonable time period, such additional maintenance as EMR may reasonably request on the Line.

(e) Woodland from time to time, and at its sole cost and expense, may make changes in, additions and betterment to, or retirements from, the Line as shall, in its judgment, be necessary or desirable for the economical or safe operation thereof or as shall be required by any law, rule, regulation, or ordinance promulgated by any governmental body having jurisdiction; provided, however, that any retirement shall not prevent EMR's ability to serve the Mill from the connection to NBSR at or near St. Stephen, NB, except retirements in accordance with Section 10 below. Such additions and betterments shall become a part of the Line and such retirements shall be excluded from the Line. Other than additional interchange facilities or additions covered under Section 4(a), if the Parties agree that changes in or additions and betterment to the Line, including changes in communication or signal facilities, are required to accommodate the operations of EMR beyond that required by Woodland to accommodate its operations, Woodland shall construct the additional or altered facilities, and EMR shall pay to Woodland the cost thereof, including the annual expense of maintaining, repairing, and renewing such additional or altered facilities.

(f) If the use of the Line is at any time interrupted, Woodland shall, with reasonable diligence, restore the Line for the passage of trains of the Parties. It shall be the responsibility of EMR to rerail equipment in its account in advance of any such restoration. If EMR does not promptly rerail equipment in its account, then Woodland may do so at the expense of EMR. Neither Party shall have or make any claim against the other for loss or damage of any kind resulting from such interruption.

5. Operations.

(a) Both Parties, in their use of the Line, if any, shall comply in all respects with the safety rules, operating rules, and other regulations established for the Line. The movement of both Parties' trains, locomotives, cars, and equipment over the Line, if any, shall at all times be subject to the orders of the transportation officers of Woodland and/or its agents and contractors.

(b) Neither Party's trains shall include locomotives, cars, or equipment which exceed the width, height, weight, or other restrictions or capacities of the Line as published in Railway Line Clearances or as contained herein. The manning of each Party's trains shall be under the direction and control of that Party during the term of this Agreement.

(c) Woodland shall be bound to use only reasonable and customary care, skill and diligence in the dispatching and management of the Line, and EMR shall not, by reason of Woodland's performing or failing, or neglecting to perform any train dispatching of the Line, have or make against Woodland any claim or demand for loss, damage, destruction, injury, or death whatsoever resulting from Woodland's performance, failure, or neglect.

(d) The operations of the Parties over the Line shall at all times be in accordance with the rules, instructions, and restrictions established for the Line, but such rules, instructions, and restrictions shall be reasonable, just, and fair between the Parties using the Line and shall not unjustly discriminate against either of them. These rules and instructions shall include, but not be limited to, Operating Rules, Time Tables, Special Instructions, Bulletins, General Orders, and authoritative directions of Train Dispatchers and Operating Officers. Woodland and/or its agents

and contractors will provide dispatch without prejudice or partiality, and in such manner as will afford the most economical and efficient movement of all traffic.

(e) When operating on the Line, each Party's locomotives and crews will be equipped to communicate with the appropriate dispatcher/operator on radio frequencies normally used by Woodland and/or its agents and contractors in directing train movements on the Line.

(f) EMR, at its expense, shall install and maintain upon trains, locomotives, and cars such equipment or devices as may now or in the future be necessary or appropriate in accordance with applicable rules or regulations for the safe and efficient operation of trains over the Line.

(g) EMR shall be responsible for furnishing, at its own expense, all labor, fuel, and train supplies necessary for operation of its own trains over the Line.

(h) EMR shall be responsible for all mileage allowances and car hire charges accruing on cars in EMR's account on the Line and EMR shall report and pay the allowances and charges directly to the owners of such cars.

6. Term and Compensation.

(a) The Effective Date of this Agreement shall be the later of: (1) the effective date of the trackage rights exemption filed by EMR at the Surface Transportation Board for the trackage rights described in this Agreement; or (2) the effective date of the acquisition and operation exemption filed by Woodland at the Surface Transportation Board for acquisition and operation of the Line. The term of this Agreement shall be two (2) years from the Effective Date ("Term"). Either Party may terminate the Agreement at the end of the Term by giving at least six (6) months written notice prior to the end of the Term. If neither Party provides such notice, the Agreement will automatically renew for a one-year period (the one-year period to be an "Extension Term"). Each year, the Agreement will renew for another Extension Term until a Party gives written notice of termination at least six (6) months prior to the end of the then-current Extension Term.

(b) Notwithstanding Section 6(a) above, either Party may terminate this Agreement during the Term or any Extension Term upon six (6) months written notice to the other Party in the event of termination of either (1) the Rail Transportation Contract between Woodland Pulp LLC and EMR or (2) the Maintenance and Dispatch Agreement between Woodland and EMR; provided, however, that any such termination of this Agreement shall not be effective until EMR receives authority to discontinue its rights under this Agreement from any regulatory agency having jurisdiction or Woodland notifies EMR that Woodland has arranged other service acceptable to it, whichever occurs first.

(c) As compensation for the rights granted herein, EMR shall pay Woodland annually during the term of this Agreement the sum of ten dollars (\$10) in U.S. currency.

7. Liability and Indemnification.

(a) Whenever the phrase "proportionally by the Parties" is used in this Section 7, it means that costs or expenses will be borne in proportion to the car miles handled by each Party over the Line during the calendar month prior to the occurrence giving rise to the cost or expense, or equally by the Parties if the occurrence is in the first month of operation under this Agreement.

(b) Both Parties shall comply with all applicable laws and governmental regulations, rules or orders. If any failure of either Party to comply with such laws, rules, regulations or orders in respect to the use of the Line results in any fine, penalty, cost or charge being assessed against the other Party, the Party which failed to comply agrees to reimburse promptly and indemnify the other Party for such amount, including without limitation reasonable attorneys' fees and expenses, court costs, and litigation costs.

(c) The responsibility of the Parties hereto, as between themselves, for loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, resulting from, arising out of, incidental to, or occurring in connection with exercise of the rights granted in this Agreement, shall be borne and determined as follows:

- (1) Whenever any loss of, damage to, or destruction of any property whatsoever, including the Line and turnouts therefrom (except Cargo Related Claim Liability as defined hereinafter), or injury to or death of any person or persons whomsoever, or any damage to or destruction of the environment whatsoever, including without limitation land, air, water, wildlife, and vegetation (collectively "Damage"), occurs with any of the trains, locomotives, cars, or equipment of, or in the account of EMR being involved, without any of the trains, locomotives, cars, or equipment of, or in the account of Woodland being involved, EMR shall assume all liabilities therefor and bear all costs and expenses in connection therewith, and shall forever protect, defend, indemnify, and save harmless Woodland and its directors, officers, agents or employees from and against all such liabilities, costs, and expenses, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of any of such indemnitees.
- (2) Whenever any Damage occurs with any of the trains, locomotives, cars, or equipment of, or in the account of Woodland being involved, without any of the trains, locomotives, cars, or equipment of, or in the account of EMR being involved, Woodland shall assume all liabilities therefor, and bear all costs and expenses in connection therewith, including, without limitation all costs and expenses referred to in Section 7(e) hereof, and Woodland shall forever protect, defend, indemnify, and save harmless EMR and its directors, officers, agents, and employees from and against all such liabilities, costs, and expenses, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of any of such indemnitees.
- (3) Whenever any Damage occurs with any of the trains, locomotives, cars, or equipment of, or in the account of both EMR and Woodland being involved,

EMR and Woodland shall each separately assume and bear all liabilities, costs, and expenses for loss of and damage to its own trains, locomotives, cars (including without limitation lading), and equipment operated by it and for injury to and death of each of its own respective officers, agents, and employees, and persons in its care and custody, including without limitation all costs and expenses referred to in Section 7(e) hereof. All liabilities, costs, and expenses for injuries to and death of any other person or persons whomsoever, for loss of, damage to, or destruction of all other properties (including without limitation the Line) and for any damage to or destruction of the environment whatsoever, including without limitation land, air, water, wildlife, and vegetation, so occurring shall be borne equally by EMR and Woodland.

- (4) Notwithstanding any other provisions of this Agreement, each Party shall be responsible for liability for any death, personal injury, or damage to property to the extent such death, personal injury, or damage to property was caused by acts or omissions of any of that Party's employees while under the influence of drugs or alcohol. An FRA positive test for drugs or a FRA alcohol test of 0.04% or greater shall establish that an employee was "under the influence of drugs or alcohol," for the purposes of this Section 7(c).
- (5) Whenever any liabilities, costs, or expenses are assumed by or apportioned to a Party hereto under the foregoing provisions of this Section 7(c), that Party shall forever protect, defend, indemnify, and save harmless the other Party to this Agreement and its directors, officers, agents, and employees from and against those liabilities, costs, and expenses so assumed by that Party or apportioned to it, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance or misfeasance of any of such indemnitees.
- (6) In every case of death or injury suffered by an employee of either EMR or Woodland, when compensation to such employee or employee's dependents is required to be paid under any workmen's compensation, occupational disease, employer's liability, or other law, and either of said parties under the provisions of this Agreement is required to pay said compensation, if such compensation is required to be paid in installments over a period of time, such Party shall not be released from paying any such future installments by reason of the expiration or other termination of this Agreement prior to any of the respective dates upon which any such future installments are to be paid.
- (7) For the purposes of this Section 7(c) the word "equipment" shall mean and be confined to (i) cabooses, (ii) vehicles and machinery which are capable of being operated on railroad tracks that, at the time of an occurrence, are being operated on the Line, and (iii) vehicles and machinery that, at the time of an occurrence, are on the Line or the right-of-way thereof for the purpose of the maintenance or repair thereof or the clearing of wrecks thereon.
- (8) The term "Damage" as used in this Section 7(c) shall include related court costs, expenses, and attorney's fees. Liability shall not include fines and penalties,

which shall always be paid by the Party against whom they were assessed, except as provided under Section 7(b).

- (9) Under no circumstances will either of the Parties to this Agreement assert a claim for punitive or exemplary damages against the other Party.

(d) In case a claim is asserted or a lawsuit or lawsuits is commenced against either Party hereto for or on account of any damage or injury for which the other Party would be solely or jointly liable under this Agreement, the Party thus notified of a claim or sued shall give the other Party timely written notice of the claim or the pendency of such suit, and thereupon the Party so notified may assume or join in the defense thereof, and if the Party so notified is liable therefor under this Agreement, such Party shall save harmless the Party so notified of a claim or sued from all loss, cost and expense to the extent provided by this Agreement. Neither Party shall be bound by any settlement by or judgment against the other Party unless it shall have been so notified and shall have had reasonable opportunity to assume or join in the defense of the claim or action. When so notified, and the opportunity to join in the defense of the claim or action has been afforded, the Party so notified shall to the extent of its liability under this Agreement be responsible for any such settlement or judgment.

(e) If trains, locomotives, or cars of EMR are wrecked or derailed on the Line, EMR shall pick up and remove said equipment, and EMR shall bear the entire cost of such service. If EMR does not pick up and remove such equipment within a reasonable time and such equipment is impeding the movement of trains on the Line, Woodland may pick up and remove such equipment and bill EMR for the expense; provided, however, that the right of EMR to seek and obtain any recoveries and the subrogation rights of insurance carriers shall not be waived as a result the removal of wrecked or derailed equipment.

(f) It is understood and agreed that a number of vehicular crossings of the Line presently exist, or may be constructed. EMR agrees to accept all crossings in whatever condition they may be during the term of this Agreement and will not assert any claim, demand, or cause of action against Woodland and will hold Woodland harmless from any claim, demand, or cause of action arising out of any crossing accident on the Line in which the engines, cars, or trains of EMR only are involved.

8. Insurance.

(a) EMR shall, at its sole cost and expense, procure and maintain the insurance coverage specified below. Except with respect to Commercial Railroad Liability Insurance, which shall be placed on an occurrence or claims-made basis, all insurance shall be placed on an occurrence basis with insurance carriers that are licensed to do business in Maine and New Brunswick. Prior to commencement of operations hereunder, EMR shall provide to Woodland a certificate of insurance giving evidence of the required coverage. Certificates of insurance shall require the insurer to endeavor to provide for no less than ten days' prior written notice by certified mail (return receipt requested) to be given to Woodland in the event coverage is cancelled, or not renewed.

(b) EMR shall waive any and all rights or causes of action against Woodland for any and all loss of, or damage to, any property owned or used by EMR and any property owned by third parties in the custody or control of EMR. Written notice of this waiver shall be given to each insurance carrier, and said insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of said insurance coverages by reason of this waiver.

(c) EMR shall procure and maintain the following insurance

- (1) Workers' Compensation Insurance to the extent (if any) required by Maine or New Brunswick law.
- (2) Commercial Railroad Liability Insurance covering liability imposed on EMR with respect to all of its services and activities on the Line and all obligations assumed by EMR under this Agreement, including FELA liability and liability for third-party "bodily injury" and "property damage" arising out of the discharge, dispersal, release, or escape of pollutants which is caused by or results from a "railroad accident," all as defined in the policy. Independent Contractors Liability, Personal Injury/Advertising Liability, and Contractual Liability coverages are to be included, and all Railroad and Explosion/Collapse/Underground (X-C-U) exclusions are to be deleted. Woodland and its successors or assigns shall be named as additional insureds with respect to liabilities arising out of EMR's operation, and the policy shall contain a waiver of subrogation against Woodland, and its successors and assigns. Coverage under this policy shall be on an occurrence or claims-made basis and shall have limits of liability not less than Eight Million Dollars (\$8,000,000) per claim and Sixteen Million Dollars (\$16,000,000) per annum for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).
- (3) Property Insurance covering all property on the Line (except the Line itself) owned or used by EMR in connection with this Agreement, with limits adequate to protect the full replacement value of such property, and covering all property owned by third parties in the custody or control of EMR, with limits adequate to cover its liability pursuant to applicable bills of lading and other applicable statutes, regulations, and laws governing rail carrier liability for loss or damage to lading. The Property Insurance policy shall contain a waiver of subrogation against Woodland and its successors and assigns.
- (4) Automobile Liability Insurance issued to and covering EMR's liability arising out of the use of all owned, non-owned, hired, rented, or leased vehicles which bear, or are required to bear, license plates in the jurisdiction in which they are to be operated. Woodland and its successors and assigns shall be named as additional insureds. Coverage under this policy shall have limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).

(5) Additional insurance, as may be usual and customary with respect to the services provided and activities undertaken on the Line by EMR, and as may be required under any applicable federal or state statute or regulation, any applicable local ordinance, or any applicable federal or state administrative or judicial order.

(d) Except as the Parties may otherwise agree in writing:

(1) no deductible under any insurance policy may exceed \$500,000;

(2) except for policies currently in effect, no insurance may be maintained through so-called "umbrella policies"; and

(3) where the Railroad liability policy is on a claims-made basis, EMR shall continue, at its sole cost and expense, to maintain Commercial Railroad Liability Insurance, as described above, for at least six (6) years after EMR ceases to operate on the Line pursuant to this Agreement; provided, however, that EMR instead may opt to procure tail coverage at its sole cost and expense, so long as the terms and conditions of such tail coverage are acceptable to Woodland.

9. Dispute Resolution.

(a) Whenever any dispute or issue of interpretation or application of this Agreement arises between the Parties, the Parties shall use good faith efforts to resolve the matter expeditiously and without resort to arbitration or litigation. Each Party shall appoint an officer having responsibility for and authority to resolve such disputes. If a dispute remains unresolved for 60 days following the commencement of such good-faith efforts, then either Party may proceed to resolve the dispute in accordance with the procedures described below in Section 9(b).

(b) All disputes arising in connection with or involving the interpretation, implementation, or application of this Agreement shall be resolved through arbitration. The Party initiating arbitration shall notify the other of the issues to be arbitrated and propose a process to select an arbitrator knowledgeable in railroad matters. If the Parties cannot reach mutual agreement on the selection of an arbitrator within thirty (30) days of the original notice, the Party initiating arbitration may petition the American Arbitration Association or the Surface Transportation Board or any successor agency ("STB") to designate an arbitrator. The arbitrator's decision shall be final and binding. Each Party shall bear one-half the costs of the arbitrator. From the time the arbitrator is chosen, evidence is to be presented and decision rendered within ninety (90) days.

10. Government Approvals.

(a) EMR shall, at its own expense, initiate and prosecute the necessary request for approval from any Governmental agencies, both U.S. and Canadian, having jurisdiction to authorize the exercise of rights granted pursuant to this Agreement. Woodland, at its own expense, shall assist and support such request and will furnish such information and execute,

deliver, and file such instrument or instruments in writing as may be necessary and appropriate to obtain such authorization. In the event authorization is denied or granted subject to conditions not acceptable to EMR, then this Agreement shall be void.

(b) In the event EMR desires to seek discontinuance authority from the STB or similar authorization from the Canadian Transportation Agency ("CTA") or other authority, EMR shall, at its own expense, initiate and prosecute the necessary request for approval from any Governmental agency having jurisdiction to authorize discontinuance, and Woodland agrees not to oppose such discontinuance.

(c) In the event Woodland decides to abandon all or part of the Line, before seeking governmental authority (if such authority is required), Woodland will notify EMR at least sixty (60) days before making such necessary filing(s) at the relevant government authority. EMR shall not oppose any such request for abandonment by Woodland, and EMR shall, at its expense, simultaneously seek to discontinue its authority with respect to its rights under this Agreement.

11. Default and Remedies.

(a) Each of the following shall constitute an Event of Default under this Agreement:

- (i) failure to make any payment of any amount due pursuant to this Agreement and such failure continues for 30 days after written notice is received from the other Party regarding the failure;
- (ii) the failure to perform any material covenant or condition required pursuant to this Agreement and such failure continues for 30 days after notice from the other Party; or (iii) the commencement of any proceeding by or against a Party which might result in any modification of the obligations of such Party pursuant to this Agreement under any bankruptcy, insolvency, or similar law, unless all of the obligations of such Party shall have been duly assumed by a trustee or successor to such Party within 60 days after such proceeding shall have been commenced.

(b) Upon the occurring of an Event of Default, the nondefaulting Party may exercise any or all of the following remedies subject to the satisfaction of any necessary U.S. and Canadian government regulatory requirements: (i) termination of this Agreement by and upon 60 days' written notice to the defaulting Party; (ii) setting off any amounts owed to the defaulting Party against amounts owed by the defaulting Party; or (iii) pursuing any other remedy at law or in equity in any court of competent jurisdiction.

(c) Except upon the occurring of an Event of Default by EMR, Woodland, for itself and its successors and assigns, agrees that it will not seek to terminate these trackage rights through an adverse abandonment or other proceeding before the STB, CTA, any other governmental authority, or any court, including without limitation any bankruptcy court.

(d) The remedies set forth in this Section 11 are cumulative, and the exercise of one or more of such remedies or the failure to exercise any remedy provided for pursuant to this Agreement shall not prejudice the right of the nondefaulting Party to exercise any remedy from time to time and as often as it may deem necessary. An Event of Default shall not be waived or satisfied by any failure of a Party to exercise any such remedies; any waiver must be in writing.

12. Miscellaneous.

(a) This Agreement shall be binding upon and inure to the benefit of the Parties, their respective successors or assigns. EMR may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of Woodland, which consent shall not be unreasonably delayed, conditioned, or withheld; provided, however, that EMR may assign this Agreement and all of its rights and obligations hereunder without the consent of Woodland to any corporate affiliate of EMR. No such assignment by EMR shall be effective unless and until EMR obtains all required regulatory approvals for such assignment.

(b) This Agreement shall be effective as to, and binding upon, Woodland as of the date of execution by Woodland. The trackage rights granted under this Agreement shall be effective on the date EMR has received all necessary authorization, from any governmental agency having jurisdiction, to exercise the rights granted pursuant to this Agreement. Nothing in this Agreement shall preclude Woodland from subcontracting or assigning any of its rights and obligations pursuant to this Agreement to an affiliate or to a new owner of the Mill or an affiliate of any such new owner.

(c) A Party shall be excused from its obligations under this Agreement to the extent that it is prevented or delayed in such performance by any of the following conditions of force majeure: Act of God, acts of the public enemy, authority of law, fire or explosion, flood or other significant weather related event, lockout, strike or labor disputes, war, act of terrorism, insurrection, embargoes or AAR service orders, Federal Railroad Administration orders, order of governmental authority, or other similar causes beyond a Party's control. A Party that is prevented or delayed in its performance as a result of force majeure shall notify the other Party of such condition and shall make all reasonable efforts to eliminate or resolve the condition as promptly as practicable.

(d) The Parties agree that interpretation of this Agreement shall, to the extent practicable, be governed by United States federal law and the laws of the State of Maine.

(e) This Agreement constitutes the entire understanding between the Parties relating to the matters set forth in this Agreement, and no other representation, warranties, or agreements, whether oral or written, shall be binding upon the Parties. This Agreement may be modified only by an instrument in writing, signed by both Parties.

(f) Nothing in this Agreement shall be construed to make one Party the partner, joint venturer, principal, or agent of the other Party. Neither Party shall have the authority to act for or bind the other by virtue of this Agreement, except to the extent otherwise specifically provided in this Agreement.

(g) Any notices or other communications required or permitted under this Agreement shall be in writing and shall be directed to the following addresses, unless either Party informs the other Party in writing of any change in address in accordance with the terms of this Section:

EMR

**Eastern Maine Railway Company
300 Union Street, 12th Floor
P.O. Box 5777
Saint John, New Brunswick E2L4M3
Attn: General Manager
506-632-5813 (telephone)
506-633-3360 (facsimile)**

With a copy to:

**Eastern Maine Railway Company
300 Union Street, 12th Floor
P.O. Box 5888
Saint John, New Brunswick E2L4L4
Attn: Secretary
506-632-7777 (telephone)
506-658-0517 (facsimile)**

Woodland

**Woodland Rail, LLC
144 Main Street
Baileyville, ME 04694 USA
Attn: Berthier Martin, Manager
207-427-4111 (telephone)
207-427-4102 (facsimile)**

(h) This Agreement may be executed in one or more counterparts, each of which when so executed and delivered shall be deemed an original, and all counterparts shall together constitute one and the same instrument.

[Remainder of page left blank intentionally]

THE PARTIES hereto have caused this Agreement to be duly executed on the dates indicated below.

WOODLAND RAIL, LLC	
By:	<u>[Signature]</u>
Printed name:	<u>BERT MARTIN</u>
Title:	<u>DIRECTOR</u>
Date:	<u>5-8-12</u>

EASTERN MAINE RAILWAY COMPANY	
By:	<u>[Signature]</u>
Printed name:	<u>E. J. Simpson</u>
Title:	<u>General Manager</u>
Date:	<u>May 14/12</u>

By: [Signature]
Title: Vice President



Exhibit 3

SURFACE TRANSPORTATION BOARD

Notice of Exemption

Finance Docket No. 35629

**EASTERN MAINE RAILWAY COMPANY
– TRACKAGE RIGHTS EXEMPTION –
WOODLAND RAIL LLC**

Woodland Rail LLC (“Woodland Rail”) has agreed to grant limited trackage rights to the Eastern Maine Railway Company (“EMR”) between Baileyville, ME and connection to the New Brunswick Southern Railway (“NBSR”) over the St. Croix River near Calais, ME and Milltown Junction, NB. The Line has a total of approximately 10.58 route miles between its endpoints in Baileyville, ME and Calais, ME, but the Line also includes several short spur tracks for a total distance of approximately 11.83 track miles. These trackage rights will allow EMR to serve a pulp mill in Baileyville, ME, but will otherwise be overhead only. The trackage rights will be effective on June 21, 2012.

This notice is filed under 49 C.F.R. § 1180.2(d)(7). Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not stay the transaction.

Dated:

By the Board.
Chief, Section of Administration
Office of Proceedings